

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

In Re:

BKY CASE No. 17-30094

Maciej Paint Corporation, d/b/a
Industrial Painting Specialists, Inc.,

Debtor.

DEBTOR'S AMENDED DISCLOSURE STATEMENT

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I.
INTRODUCTION

Maciej Paint Corporation, d/b/a Industrial Painting Specialists, Inc., (“Debtor”) filed a case pursuant to Chapter 11 of the United States Bankruptcy Code on January 13, 2017. Debtor is filing this Disclosure Statement (“Disclosure Statement”), which has been prepared for the Bankruptcy Court’s approval for submission to the holders of the claims and interests with respect to Debtor and its assets. Capitalized terms used in this Disclosure Statement shall have the meanings given to them in the Plan or by the Bankruptcy Code unless the context otherwise requires.

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Debtor is protected by the automatic stay provisions of Section 362 of the Bankruptcy Code while it attempts to present a plan of reorganization to its creditors.

Debtor’s Disclosure Statement is furnished pursuant to Section 1125 of the Bankruptcy Code and is intended to provide all persons known to have claims against Debtor with sufficient information to permit them to make an informed judgment as to their votes to accept or reject the Plan. No representations concerning Debtor, particularly as to its future business operations, the value of its property, other than those set forth in this Disclosure Statement, are authorized by Debtor.

ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE WHICH ARE OTHER THAN THOSE IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND ANY SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR DEBTOR OR TO THE UNITED STATES TRUSTEE, WHO, IN TURN, SHALL DELIVER THIS INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTIONS AS MAY BE DEEMED APPROPRIATE.

THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY DEBTOR BUT HAS NOT BEEN INDEPENDENTLY AUDITED. ALL STATEMENTS CONCERNING FINANCIAL DATA ARE MADE IN GOOD FAITH AND ARE INTENDED TO BE AS COMPLETE AND AS ACCURATE AS POSSIBLE WITHIN THESE LIMITATIONS. BANKRUPTCY COUNSEL FOR DEBTOR HAS NOT VERIFIED ANY OF THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT.

Definitions of terms used in this Disclosure Statement are provided in Article 8 of Debtor’s Liquidating Plan, which is submitted herewith.

II.

NATURE AND HISTORY OF DEBTOR'S BUSINESS AND EVENTS LEADING TO THE FILING OF THE CHAPTER 11 CASE

A. Organization and Operations.

The Debtor is presently owned by Carol Maciej. There are no other shareholders. Ms. Maciej is the principal officer of the Debtor. The Debtor was an industrial and commercial blast and paint shop.

Ms. Maciej was also the owner and sole officer of a Minnesota company known as RJM, LLC. This company owned the real estate that was leased to the Debtor for its operations. The Debtor is a guarantor for the RJM, LLC debt to Premier Bank.

B. Events Leading to the Filing of Chapter 11.

The Debtor had been owned and operated by Richard Maciej, Ms. Maciej's husband, for approximately twenty years until his death on December 31, 2015. Upon his death, Ms. Maciej, inherited the Debtor. Ms. Maciej never worked for the Debtor until that time. She had been a stay-at-home mother for the past twenty years.

When Ms. Maciej began the management of the Debtor, she learned that the Debtor was in financial trouble and the Debtor's lender, Premier Bank, was under secured. She also became aware that the Debtor's revenues had declined, about 16%, from 2014 to 2015, which was the same period her husband was fighting cancer. The Debtor went from revenues of approximately \$4,137,000 in 2014 to \$3,455,000 in 2015. One week before the death of her husband, the Debtor's only salesperson left his employment with the Debtor. The Debtor's revenue declined further in 2016 to \$2,462,000.

In February 2016, Premier Bank required Ms. Maciej to make a capital contribution of \$200,000 to the Debtor. In October 2016, Premier Bank renewed the line of credit with the Debtor, but then in November 2016 froze it. Ms. Maciej again was required to make a capital contribution to the Debtor. In December 2016, Premier Bank requested that the Debtor enter into a forbearance agreement or it would foreclose on its loans. This led the Debtor to seek the protection of Chapter 11, which it did in January of 2017.

A liquidation analysis was not completed because presently the only assets the Debtor has is cash or cash equivalents in the amount of \$200,000.

C. Financial History and Events Subsequent to Filing a Petition.

1. Retention of Professionals:

The Debtor has retained Steven B. Nosek and Yvonne R. Doose as Debtor's bankruptcy counsel.

The Debtor has retained Carlson Advisors, LLP as the Debtor's accountant.

2. Creditors Committee:

There is no Committee of Unsecured Creditors in this case.

3. Sale of substantially all the Debtor's assets to Premier Bank.

In May 2017, the Debtor and Premier Bank entered into a Settlement Agreement [Doc 70] whereby the Debtor proposed to sell substantially all its assets to Premier Bank subject to Court approval. The Court entered an order [Doc 75] on May 31, 2017 authorizing the Debtor to enter into the Settlement Agreement and authorized the Debtor to transfer substantially all of the Debtor's assets to Premier Bank. After the transfer of assets to Premier Bank, the Debtor holds \$200,000 in cash to distribute to unsecured creditors and to pay administrative expenses. The sale closed on June 12, 2017 to Premier Bank. The Debtor, as a result of the sale to the Bank, transferred all of its assets to the Bank except bankruptcy causes of action and \$200,000 in cash. Another company owned by Carol Maciej, Principal of the Debtor, transferred the Hugo real estate owned by that company, to the Bank. These transfers were in full settlement of the Bank's claims against the Debtor in the amount of \$4,423,952.85. Prior to consummating the settlement with Premier Bank, Premier Bank purchased the SBA claims against the Debtor related to the Hugo real estate and the SBA debt the Debtor had guaranteed. Therefore, the SBA and the Bank will have no further claims in the Debtor's case.

III.

CLAIMS AGAINST OTHERS

A. Preferences

The Debtor does not believe there have been preferential transfers to creditors.

B. Claims Against Insiders

The Debtor does not believe that there have been preferential transfers to insiders.

C. Compensation of Member

Carol Maciej is the owner of the Debtor. Her compensation in the past twelve months has been approximately \$20,000.

D. Objections to Claims Against Debtor

The claim filing bar date for creditors other than governmental units was May 17, 2017. The claim filing bar date for governmental units was May 17, 2017. The Debtor does not anticipate asserting any claim objections.

IV.

DESCRIPTION OF DEBTORS LIQUIDATING PLAN

A. DESCRIPTION OF CLASSES OF CLAIMS

- 2.01 Class 1. All non-insider unsecured claims without priority allowed under 11 U.S.C. §502 of the Bankruptcy Code, including any claims arising from any claims for damages arising from rejected executory contracts.
- 2.02 Class 2. Equity Shareholder interests of the Debtor.

B. TREATMENT OF CLAIMS UNDER THE PLAN

Class	Impairment	Treatment
Class 1 – Unsecured Creditors	Impaired	The non-insider Unsecured Creditors of the Debtor total approximately \$245,000. The Administrative Expenses, including final payroll and the Debtor’s pro-rata share of operating expenses are expected to be in the amount of \$65,000, the Debtor will pay each allowed unsecured creditor its pro rata share from the balance of its cash upon Plan Confirmation. Each allowed Unsecured Creditor is anticipated to receive approximately 55% of its claim.
Class 2 – Equity Security Holders	Unimpaired	The Equity Security Holder of the Debtor will retain entirely her interest in the Debtor.

Class 1 is Impaired under this Plan and is entitled to vote for or to reject the Plan. Class 2 is Unimpaired.

C. CLAIMS

- 1. Disputed Claim. A disputed claim is a claim that has not been allowed or disallowed by a final non-appealable order, and as to which either: (i) a proof of claim has been filed or deemed filed, and the Debtor or another party in interest has filed an objection; or (ii) no proof of claim has been filed, and the Debtor has scheduled such claim as disputed, contingent, or unliquidated.

2. Delay of Distribution on a Disputed Claim. No distribution will be made on account of a disputed claim until such claim is allowed by a final non-appealable order.

D. ADMINISTRATIVE EXPENSE CLAIMS

1. Unclassified Claims. Under 11 U.S.C. §1123 (a)(1), administrative expense claims, and priority tax claims are not classified.

2. Administrative Expense Claims. Each holder of an administrative expense claim allowed under 11 U.S.C. §503 of the Code will be paid in full on the Effective Date of this Plan (as defined in Article VII), in cash, or upon such other terms as may be agreed upon by the holder of the claim and the Debtor. The Administrative Expenses, including final payroll and the Debtor's pro-rata share of operating expense fees are expected to be in the amount of \$65,000, including professional fees estimated to be \$25,000.

3. Priority Claims. There are no priority unsecured claims of any kind under 11 U.S.C. § 507.

4. United States Trustee Fees. All outstanding and accrued US Trustee fees required to be paid by 28 U.S.C. §1930(a)(6) (U.S. Trustee Fees) will be reserved and will be timely paid until the case is closed, dismissed, or converted to another chapter of the Code. Any U.S. Trustee Fees owed on or before the Effective Date of this Plan will be paid on the Effective Date. The Debtor will continue to file disbursement reports with the Office of the US Trustee while the bankruptcy case remains open.

E. EXECUTORY CONTRACTS

Assumed Executory Contracts and Unexpired Leases.

- (i) The Debtor assumes the following executory contracts and/or unexpired leases effective upon the Effective Date of this Plan as provided in Article VII: None.
- (ii) The Debtor will be conclusively deemed to have rejected all executory contracts and/or unexpired leases not expressly assumed under section E(i) above, or before the date of the order confirming this Plan.

F. MEANS FOR EXECUTION OF PLAN

The current owner of the Debtor is Carol Maciej. She will remain the owner of the Debtor. The Debtor intends to make payments required under the Plan from the \$200,000 in retained assets. Any questions regarding this Plan may be directed to

Debtor's counsel: Yvonne R. Doose, Steven B. Nosek, P.A. 2855 Anthony Lane South, St. Anthony, MN 55418, 612-877-8041.

V.
CONFIRMATION STANDARDS

To be confirmable, the Plan must meet the requirements listed in §§1129(a) or (b) of the Code. These include the requirements that: The Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in §1129, and they are not the only requirements for confirmation.

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in §1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

The holders of the following five types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes.
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§507(a)(2), (a)(3), and (a)(8) of the Code; and
- holders of claims or equity interests in classes that do not receive

- or retain any value under the Plan;
- administrative expenses.

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive as much or more under the Plan on such claim than creditors would receive in a chapter 7 liquidation. The Debtor believes that this liquidating plan would provide a greater return to creditors than they would receive in a chapter 7 liquidation. A liquidation analysis was not completed because presently the only assets the Debtor has is cash or cash equivalents in the amount of \$200,000.

C. Feasibility

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

The Plan Proponent believes that the Debtor will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses that are entitled to be paid on that date.

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments. In this case, the Plan Proponent will distribute all of its remaining assets, \$200,000 in cash and cash equivalents, to first pay its administrative expenses and then the remainder to be distributed pro rata among all the allowed unsecured creditors.

There may be federal tax consequences regarding the payments under the Plan. You should consult with your accountant or other financial advisor if you have any questions pertaining to this Amended Disclosure Statement and the Plan.

D. Modification of Plan

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan.

E. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

VI.
CONCLUSION

Debtor believes that acceptance of the Plan is in the best interest of all parties. Debtor urges all holders of claims and interests to vote in favor of the Plan.

Dated: August 7, 2017.

Maciej Paint Corporation d/b/a
Industrial Painting Specialists, Inc.,

By: Carol J. Maciej
Carol J. Maciej, Owner